

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

Financial Statements

Years Ended December 31, 2011 and 2010

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

**FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

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H. Gregory Mermel

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INDEPENDENT AUDITOR'S REPORT


To the Board of Directors
Northalsted Area Merchants Association

We have audited the accompanying statements of financial position of the Special Service Area #18 Fund of the Northalsted Area Merchants Association as of December 31, 2011 and 2010 and the related statements of activities and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the management of Northalsted Area Merchants Association. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Special Service Area #18 Fund of the Northalsted Area Merchants Association as of December 31, 2011 and 2010, and the changes in its net assets and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The budget comparisons on page 4 and the schedule of carryover expenditures on page 8 are presented for purposes of additional analysis and are not required parts of the basic financial statements. Such information, except for that portion marked "unaudited," on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



H. GREGORY MERMEL, C.P.A., P.C.

March 7, 2012

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**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

**STATEMENTS OF FINANCIAL POSITION
DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
<u>ASSETS</u>		
CURRENT ASSETS		
Cash in bank	\$ 228,896	\$ 94,714
Prepaid expenses	2,550	3,043
Due from general fund	599	599
Total assets	\$ 232,045	\$ 98,356
<u>LIABILITIES</u>		
CURRENT LIABILITIES		
Accounts payable and accrued expense	\$ 17,801	\$ 18,489
<u>NET ASSETS</u>		
Unrestricted net assets (Note 4)	214,244	80,867
Total Liabilities and Net Assets	\$ 232,045	\$ 99,356

The accompanying Notes to Financial Statements are an integral part of this statement.

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

**STATEMENTS OF ACTIVITIES AND COMPARISON TO BUDGETS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	2011			2010		
	Budget (unaudited)	Actual	Variance	Budget (unaudited)	Actual	Variance
REVENUE						
Special Service Area #18 tax funds						
Requested levy	\$ 473,600			\$ 370,700		
Allowance for loss and cost	25,000			22,000		
Balance	448,600	\$ 449,853	\$ 1,253	348,700	\$ 324,923	\$ (23,777)
Less amount for adjoining Special Service Area (Note 3)		(3,000)	(3,000)			
Prior years' tax levies		41,009	41,009			
Interest		242	242		13,137	13,137
Total revenue	448,600	488,104	39,504	348,700	338,246	(10,454)
OPERATING PROGRAM EXPENSES						
Advertising and promotion	15,000	11,809	(3,191)	19,500	12,056	(7,444)
District planning	2,000	0	(2,000)	1,500	1,074	(426)
Façade improvement program	7,500	0	(7,500)	5,000	0	(5,000)
Operations and administrative support	39,000	7,457	(31,543)	36,800	30,105	(6,695)
Other technical support	95,000	90,882	(4,118)	55,000	51,651	(3,349)
Parking/transit/accessibility	0	0	0	1,000	0	(1,000)
Public way aesthetics	148,300	92,034	(56,266)	134,125	128,069	(6,056)
Public way maintenance	80,600	78,285	(2,315)	76,075	73,326	(2,749)
Safety programs	52,700	47,260	(5,440)	9,200	3,356	(5,844)
Service provider direct service	25,000	25,000	0	30,500	30,500	0
Tenant relocation and attraction	3,500	1,000	(2,500)	0	0	0
Total operating program expenses	468,600	353,727	(114,873)	368,700	330,137	(38,563)
CHANGE IN NET ASSETS						
	\$ (20,000)	134,377	\$ 154,377	\$ (20,000)	8,109	\$ 28,109
UNRESTRICTED NET ASSETS, beginning of year		79,867			71,758	
UNRESTRICTED NET ASSETS, end of year		\$ 214,244			\$ 79,867	

The accompanying Notes to Financial Statements are an integral part of this statement.

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

**STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

	<u>2011</u>	<u>2010</u>
CASH FLOW FROM OPERATING ACTIVITIES		
Change in unrestricted net assets	\$ 134,377	\$ 8,109
Adjustments to reconcile net income to net cash provided by operating activities:		
Decrease (increase) in prepaid expenses	493	1,165
Decrease (increase) in due from general fund	0	(599)
Increase (decrease) in accounts payable and accrued expense	<u>(688)</u>	<u>7,229</u>
Net cash provided by operating activities	134,182	15,904
 CASH IN BANK, beginning of year	 <u>94,714</u>	 <u>78,810</u>
 CASH IN BANK, end of year	 <u>\$ 228,896</u>	 <u>\$ 94,714</u>

The accompanying Notes to Financial Statements are an integral part of this statement.

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Nature of entity

The Northalsted Area Merchants Association (“Association”) is an Illinois not-for-profit association which has contracted with the City of Chicago to provide additional services within Special Services Area #18 of the City. Pursuant to that contract, the Association has established the Special Service Area #18 Fund (“Fund”) to receive, hold and expend monies received from the City.

Services provided by the Fund include beautification, cleaning and maintenance of the streets and sidewalks; recruitment of new businesses to the Area and retention of existing ones; coordinated marketing and promotional activities; installation and maintenance of a public WiFi zone, a façade and signage improvement program and maintaining a visible office with staff support to carry out promotional, educational and market research functions.

B. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities (actual and contingent) as of December 31, 2011 and of certain revenues and expenses during the year. Actual data as they subsequently develop may differ from those estimates.

C. Income taxes

The Association and its component Fund are exempt from income taxes under Section 501(c) of the Internal Revenue Code.

2. REVENUES

Substantially all of the Fund’s revenue comes from the City of Chicago under successive renewable contracts, currently expiring December 31, 2011.

Property taxes for each tax year are billed to, and due from, property owners in two installments during the succeeding calendar year. Each year’s contract provides that the compensation to the Association will be the lesser of the property taxes levied or the total amount of Special Service Area #18 tax funds actually collected for the preceding tax year.

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2011 AND 2010**

2. REVENUES (continued)

The amount of Special Service Area #18 taxes levied were \$473,600 for the 2010 tax year (payable in 2011), and \$370,700 for the 2009 tax year (payable in 2010).

The Association recognizes revenue under this contract when the collected taxes are distributed to the City of Chicago by Cook County. Accordingly, taxes from prior years of \$41,009 and \$13,137 are included in revenues for 2011 and 2010, respectively.

3. ADJOINING SPECIAL SERVICE AREA

When Special Service Area #18 was reconstituted in 2004, a parcel of real estate was included which was already a part of an adjoining special service area. From 2004 through 2008, funds approximating the tax levy for that parcel were transferred to the adjoining special service area. This agreement with the adjoining special service area was terminated during 2009, but reinstated for 2010 subject to both parties' approval of legal documents.

4. NET ASSETS

The City of Chicago, and its Special Service Area #18, carry over unexpended tax funds to the succeeding fiscal year's budget. The Association's Board of Directors designates a like amount as a carryover to ensure consistency between the Fund's budgeting process and that of the City. The unexpended balance of tax funds at December 31, 2011 was \$228,896.

5. SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of the auditor's report.

**NORTHALSTED AREA MERCHANTS ASSOCIATION
SPECIAL SERVICE AREA #18 FUND**

**CARRYOVER OF UNEXPENDED TAX FUNDS
YEAR ENDED DECEMBER 31, 2011**

Unexpended tax funds, December 31, 2010		
Cash in bank		\$ 94,714
Cash received		
Taxes	\$ 487,862	
Interest	<u>242</u>	
Total		488,104
Expenses paid		<u>(353,922)</u>
Unexpended tax funds, December 31, 2011		<u>\$ 228,896</u>
Comprising		
Cash in bank		<u>\$ 228,896</u>

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northalsted Area Merchants Association

We have audited, in accordance with auditing standards generally accepted in the United States of America, the statement of financial position of the Special Service Area #18 Fund of the Northalsted Area Merchants Association as of December 31, 2011 and the related statements of activities and changes in net assets and cash flows for the year then ended, and have issued our report thereon dated [date to come]. Our audit procedures included reading the Service Provider Agreement.

In connection with our audit, nothing came to our attention that caused us to believe that Northalsted Area Merchants Association failed to comply with the terms, covenants, provisions or conditions of its Service Provider Agreement insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance.

This report is intended solely for the information and use of the board of directors and management of Northalsted Area Merchants Association, the Special Service Area #18 Commission and the City of Chicago, and is not intended to be and should not be used by anyone other than these specified parties.

H. GREGORY MERMEL, C.P.A., P.C.

March 7, 2012

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